

**[4910-13-M]**

## **DEPARTMENT OF TRANSPORTATION**

### **Federal Aviation Administration**

#### **Passenger Facility Charge Audit Guide for Air Carriers - Procedures for Examining Air Carrier Passenger Facility Charge Collection, Remittance, and Reporting Practices**

**AGENCY:** Federal Aviation Administration, Department of Transportation.

**ACTION:** Notice of Availability; Request for Comments.

**SUMMARY:** The Federal Aviation Administration (FAA) is issuing interim guidance for conducting annual audits of air carrier Passenger Facility Charge (PFC) collection, remittance, and reporting practices. An air carrier collecting PFC's from at least 50,000 passengers annually is required to provide for an annual audit of its PFC accounts by an accredited independent public accountant. An auditor engaged to audit the air carrier's PFC accounts is required to report "on the fairness and reasonableness of the carrier's procedures for collecting, holding, and dispersing PFC revenues." In addition, an auditor is required to report whether the quarterly reports of PFC accounts that the air carriers must provide to airports "fairly represent the net transactions in the PFC account."

The interim guidance is issued for a one-year review and comment period. It is intended that this interim guidance be used for air carrier PFC audits until final guidance is issued, which will occur after the evaluation and disposition of comments from the review period. Use of the interim and final guidance is

voluntary, although the FAA will have greater confidence in audits conducted in accordance with the guide.

Interested parties may access the Passenger Facility Charge Audit Guide for Air Carriers through the Internet at <http://www.faa.gov/arp/audit.htm>.

Alternatively, the guide may be obtained by contacting the individual listed below under the heading **FOR FURTHER INFORMATION CONTACT**.

**DATES:** Interim guidance effective August 17, 1999; Comments must be submitted on or before August 16, 2000.

**ADDRESSES:** Comments should be mailed, in triplicate, to Federal Aviation Administration, Airports Financial Assistance Division, Attention: Passenger Facility Charge Branch (APP-530), 800 Independence Avenue, S.W., Room 619, Washington, DC 20591.

**FOR FURTHER INFORMATION CONTACT:** Joseph Hebert, Program Analyst, Passenger Facility Charge Branch, Airports Financial Assistance Division (APP-530), Federal Aviation Administration, 800 Independence Avenue, S.W., Washington, DC 20591, (202) 267-3845.

**SUPPLEMENTARY INFORMATION:** Title 49, USC, Section 40117, authorizes the Secretary of Transportation (further delegated to the FAA Administrator) to approve the local imposition of a PFC of \$1, \$2, or \$3 per enplaned passenger for use on certain airport projects. On May 29, 1991, the FAA issued 14 CFR Part 158 outlining policies and procedures for the PFC program. Under Part 158, public agencies controlling commercial service airports can apply to the FAA for authority to impose a PFC for use on eligible projects. The proceeds from such PFC's are to be used to finance approved, eligible airport-related projects.

Once a public agency's application for the imposition of a PFC is approved by the FAA, it must notify air carriers and foreign air carriers required to collect PFC's at its airport(s) of the approval. Once notified, an air carrier is required to collect PFC's on tickets it issues showing an enplanement at that airport (with certain exceptions). The air carrier is also required to notify its agents, including other issuing carriers, of the collection requirements. Air carriers or their agents collect PFC's from passengers on behalf of the public agency at the time of air

travel ticket (or its equivalent) issuance. Air carriers are responsible for all PFC funds from the time of collection to remittance to the public agency and must provide quarterly reports to the public agency showing the total amounts of PFC revenue collected and refunded, as well as any amount withheld by the air carrier as collection compensation in accordance with section 158.53 of Part 158. For the purposes of an audit under section 158.69, collection is defined as the point when agents or other intermediaries remit PFC revenue to the carrier.

An air carrier collecting PFC's from at least 50,000 passengers annually is required to provide for an annual audit of its PFC accounts by an accredited independent public accountant. The audit shall be made available to the public agency, upon request. Although not specifically required by the regulation, the audit should also be submitted to the FAA, upon request. Auditors engaged to audit the air carrier's PFC accounts are required to report "on the fairness and reasonableness of the carrier's procedures for collecting, holding, and dispersing PFC revenues." In addition, auditors are required to report whether the quarterly reports of PFC accounts that the air carriers must provide to airports "fairly represent the net transactions in the PFC account" (section 158.69(b)(1) of Part 158). The FAA expects these audits to be filed in a timely manner and should normally coincide with the carrier's fiscal year and annual corporate audit cycle.

To facilitate the conduct of audits that meet the requirements of the statute and regulation, the FAA has prepared the Passenger Facility Charge Audit Guide for Air Carriers. The procedures contained in the guide for testing and reporting on PFC's collected, withheld, refunded/exchanged, and remitted during the year are intended to assist the auditor in accomplishing the audit and internal control structure attestation. This guide is not intended to supplant the auditor's judgment of procedures to be performed. The auditor should use professional judgment to tailor the procedures so that the audit objectives are achieved. However, the auditor must address all applicable internal control requirements.

The interim guidance describes the collection, remittance, and reporting requirements of 14 Code of Federal Regulations (CFR) Part 158 (the implementing regulation for Title 49, United States Code (USC), Section 40117,

that established PFC authority) in a requirements-objective-procedure format. This format is similar to that used in the FAA Airport Improvement Program supplement to OMB Circular A-133 and should appear familiar to auditors.

The guide also relies on the testing of nonstatistical samples of lifted tickets or equivalent records as an agreed-upon procedure for providing an airport-level assessment of air carrier compliance with Part 158 collection and remittance requirements. An air carrier utilizing these procedures should provide copies of the agreed-upon procedures to requesting public agencies. The carrier should also provide a copy of the reports to the FAA, if requested.

The use of this guide by auditors on behalf of the air carriers will provide the FAA and airports collecting PFC's with an acceptable level of assurance that the air carrier has followed regulatory procedures. Although the guide is not intended to define the sole method of complying with the audit requirements of section 158.69 of Part 158, the FAA has determined that the use of the procedures in this audit guide by the auditors for an air carrier will provide sufficient assurance that the air carrier has met the requirements of Part 158 such that the FAA would not normally require additional reports, undertake an audit of the carrier, or request Department of Transportation, Office of the Inspector General (DOT OIG), intervention on the FAA's behalf. The FAA would not normally initiate further monitoring efforts unless an airport or other source subsequently substantiates a significant violation of the regulation.

The FAA will not have the same level of confidence with an air carrier whose auditors have not used the procedures outlined in this guide. Accordingly, alleged collection and remittance discrepancies raised by airports through their monitoring of local PFC revenue against air carriers whose auditors have not used this guidance are more likely to trigger additional FAA monitoring activities, including requiring additional reports, the undertaking of an audit, or a request for DOT OIG intervention. This guidance shall not, however, foreclose other FAA options for enforcing correct collection and remittance procedures and responding to allegations of improper collection and remittance practices. The FAA expects air carriers to attain a reasonable level of accuracy with regard to PFC remittances.

Issued in Washington, DC on August 10, 1999.

Catherine M. Lang,  
Acting Director, Office of Airport Planning and Programming